

§ 1773.7

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directors within 90 days of the as of audit date;

(c) A copy of the audit agreement must be available at the borrower's office for inspection by RUS personnel. One copy of the current audit agreement must be maintained in the CPA's workpapers or permanent file.

[56 FR 63360, Dec. 3, 1991, as amended at 61 FR 108, Jan 3, 1996]

§ 1773.7 Audit standards.

(a) The audit must be performed in accordance with GAGAS and this part. The audit must be performed in accordance with GAGAS in effect at the audit date unless the borrower is directed otherwise, in writing, by RUS.

(b) The audit must include such tests of the accounting records and such other auditing procedures that are sufficient to enable the CPA to express an opinion on the financial statements and to issue the required reports on compliance and internal controls and the management letter.

(c) Audit scope limitation. (1) The borrower will not limit the scope of the audit to the extent that the CPA is unable to meet RUS's audit requirements or to provide an unqualified opinion that the financial statements are presented fairly in conformity with GAAP.

(2) The security instrument provision requiring the submission of a report of the audit is not satisfied if the CPA must qualify the opinion in the auditor's report due to limitations placed on the scope of the audit by the borrower.

(3) If the CPA determines during the audit that an unqualified opinion cannot be issued due to a scope limitation imposed by the borrower, the CPA should use professional judgment to determine what levels of the borrower's management should be informed.

(4) After informing the borrower's management, if the scope limitation is not adequately resolved, the CPA should immediately contact the Director, BAD, RUS, U.S. Department of Agriculture, Washington, DC 20250-1500. The Director, BAD, will endeavor to resolve the matter with the borrower.

§ 1773.8 Audit date.

(a) The annual audit must be performed as of the end of the same calendar month each year unless prior approval to change the as of audit date is obtained, in writing, from RUS.

(1) A borrower may request a change in the as of audit date by writing to the appropriate RUS regional office at least 60 days prior to the newly requested as of audit date.

(2) The time period between the prior as of audit date and the newly requested as of audit date must be no longer than twenty-four months. For example, a borrower that wishes to change its as of audit date from December 31, 19X1, to June 30, must make the change effective no later than June 30, 19X3.

(b) Comparative financial statements must be prepared and audited for the twelve months ending as of the new audit date and for the twelve months immediately preceding that period.

(c) A borrower that changes its as of audit date from December 31, 19X1, to June 30, 19X3, must have the CPA report on statements in the following manner:

Previously issued statements	Statements prepared as of new audit date
12/31/X1; 12/31/X0 (Statements need not be re-issued).	6/30/X3; 6/30/X2

§ 1773.9 Disclosure of irregularities and illegal acts.

(a) In accordance with GAGAS, the CPA must design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, illegal acts, and noncompliance with the provisions of contracts or grant agreements that could have a direct and material effect on financial statement amounts.

(b) If there is an indication that an irregularity may have occurred or evidence concerning the existence of a possible instance of noncompliance with the provisions of contracts or grant agreements that could have a material direct or indirect effect on the financial statements, the CPA must extend audit steps and procedures to obtain sufficient, competent evidential matter to determine whether, in